

**EIGHTY-FIFTH GENERAL ASSEMBLY
2013 REGULAR SESSION
DAILY
HOUSE CLIP SHEET**

FEBRUARY 6, 2013

HOUSE FILE 119

H-1003

1 Amend House File 119 as follows:
2 1. Page 5, after line 14 by inserting:
3 <Sec. _____. FUTURE REPEAL. This Act is repealed
4 effective July 1, 2015. On that date the Code editor
5 shall return the language in this Act to the language
6 appearing in the 2013 Code.>
7 2. Title page, line 2, after <court> by inserting
8 <, and providing for a future repeal>

By HEATON of Henry

H-1003 FILED FEBRUARY 5, 2013

HOUSE FILE 133

H-1002

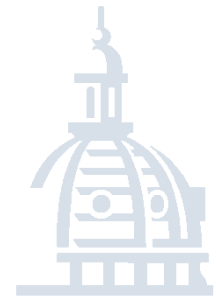
1 Amend House File 133 as follows:
2 1. Page 1, line 8, after <public> by inserting <and
3 which were in operation prior to the effective date of
4 this Act>

By WINDSCHITL of Harrison

H-1002 FILED FEBRUARY 5, 2013

Fiscal Note

Fiscal Services Division



HF 2 – School Foundation Percentage Increase (LSB 1496YH)

Analyst: Shawn Snyder (Phone: (515) 281-7799) (shawn.snyder@legis.iowa.gov)

Fiscal Note Version – New

Description

House File 2 increases the State-funded percentage of the school aid foundation level over a five-year period beginning in FY 2014 until reaching 100.0% in FY 2018. Additionally, the Bill requires, beginning in FY 2017, the sales/use tax for school infrastructure currently transferred to the Property Tax Equity and Relief (PTER) Fund for property tax relief in the school aid formula to be transferred to the Taxpayer Trust Fund.

Background

Increasing the school aid foundation level percentage increases the General Fund portion of State aid and reduces the property tax portion of the State cost per pupil in the operation of the school aid formula. In FY 2013, the State cost per pupil is \$6,001, with State aid and the uniform levy accounting for \$5,251 (87.5%) and the additional levy accounting for \$750 (12.5%) of the per pupil level. The allowable growth rate established each year will have an impact on the overall cost of increasing the foundation level for the period of FY 2014 to FY 2018. The following tables provide the impact of the per pupil funding foundation levels at 0.0% and 4.0% for FY 2014 through FY 2018.

State and Foundation Level Cost Per Pupil: With 0.0% Allowable Growth Rate FY 2014 – FY 2018

	Allowable Growth Rate	State Cost Per Pupil	Current Law - Per Pupil Foundation Level			Proposal - Per Pupil Foundation Level		
			Foundation Level Percentage	State Aid/Uniform Levy Portion	Additional Levy Portion	Foundation Level Percentage	State Aid/Uniform Levy Portion	Additional Levy Portion
FY 2014	0.0%	\$ 6,001	87.5%	\$ 5,251	\$ 750	90.0%	\$ 5,401	\$ 600
FY 2015	0.0%	\$ 6,001	87.5%	\$ 5,251	\$ 750	92.5%	\$ 5,551	\$ 450
FY 2016	0.0%	\$ 6,001	87.5%	\$ 5,251	\$ 750	95.0%	\$ 5,701	\$ 300
FY 2017	0.0%	\$ 6,001	87.5%	\$ 5,251	\$ 750	97.5%	\$ 5,851	\$ 150
FY 2018	0.0%	\$ 6,001	87.5%	\$ 5,251	\$ 750	100.0%	\$ 6,001	\$ -

State and Foundation Level Cost Per Pupil: With 4.0% Allowable Growth Rate FY 2014 – FY 2018

	Allowable Growth Rate	State Cost Per Pupil	Current Law - Per Pupil Foundation Level			Proposal - Per Pupil Foundation Level		
			Foundation Level Percentage	State Aid/Uniform Levy Portion	Additional Levy Portion	Foundation Level Percentage	State Aid/Uniform Levy Portion	Additional Levy Portion
FY 2014	4.0%	\$ 6,241	87.5%	\$ 5,461	\$ 780	90.0%	\$ 5,617	\$ 624
FY 2015	4.0%	\$ 6,491	87.5%	\$ 5,680	\$ 811	92.5%	\$ 6,004	\$ 487
FY 2016	4.0%	\$ 6,751	87.5%	\$ 5,907	\$ 844	95.0%	\$ 6,413	\$ 338
FY 2017	4.0%	\$ 7,021	87.5%	\$ 6,143	\$ 878	97.5%	\$ 6,845	\$ 176
FY 2018	4.0%	\$ 7,302	87.5%	\$ 6,389	\$ 913	100.0%	\$ 7,302	\$ -

Assumptions

Estimates assume:

- Static enrollments and weightings for FY 2014 through FY 2018.
- Enrollments are based on final certified enrollments from October 2012. Supplementary and special education weightings are based on preliminary data from the fall of 2012.
- Enactment of allowable growth rates will have an impact on the amount of State aid required to fund the Bill. The fiscal impact provides a range between enactment of 0.0% and 4.0% allowable growth rates for FY 2014 through FY 2018.
- The amount of sales/use tax for school infrastructure revenues transferred to the PTER Fund for FY 2014 is \$8.7 million. This fiscal note assumes no growth in those funds for FY 2018. Additionally, beginning in FY 2016, the amount of sales/use tax for school infrastructure transferred to the PTER Fund will instead be transferred to the Taxpayer Trust Fund. However, because the final amount transferred is not finalized until after the fiscal year, the initial transfer of these funds will occur in FY 2017.
- In addition to the sales/use tax for school infrastructure revenues transferred to the PTER Fund, there is also a \$24.0 million General Fund appropriation in the school aid formula to provide property tax relief to school districts. This appropriation will be eliminated beginning in FY 2018 and will reduce the estimated cost by \$24.0 million.
- The total property tax adjustment aid is assumed at \$32.7 million for FY 2014 through FY 2018, but it is not reflected in the following tables. Under the proposal, these funds will remain in place in until FY 2017. At a 100.0% foundation level, the need for the property tax adjustment aid mechanism and funding amount will no longer be needed.

School Aid Foundation Level Proposal Increase -- Assumes a 0.0% Allowable Growth Rate Each Year (Dollars in Millions)				
	Foundation Level Percentage	Proposal - Foundation Levy Amount	Current Law - Foundation Levy Amount	Proposal - State Aid Increase (Property Tax Decrease) Compared to Current
FY 2014	90.0%	\$ 330.3	\$ 412.9	\$ 82.6
FY 2015	92.5%	247.7	412.9	165.1
FY 2016	95.0%	165.1	412.9	247.7
FY 2017	97.5%	82.6	412.9	330.3
FY 2018	100.0%	0.0	412.9	412.9

School Aid Foundation Level Proposal Increase -- Assumes a 4.0% Allowable Growth Rate Each Year (Dollars in Millions)				
	Foundation Level Percentage	Proposal - Foundation Levy Amount	Current Law - Foundation Levy Amount	Proposal - State Aid Increase (Property Tax Decrease) Compared to Current Law
FY 2014	90.0%	\$ 343.5	\$ 429.4	\$ 85.9
FY 2015	92.5%	267.0	444.8	177.8
FY 2016	95.0%	184.4	461.3	276.9
FY 2017	97.5%	95.8	478.9	383.1
FY 2018	100.0%	0.0	497.6	497.6

Fiscal Impact

At an allowable growth rate of 0.0% for each year (FY 2014 – FY 2018), the estimated State aid increase (property tax reduction amount) and corresponding General Fund expenditure increase will be \$82.6 million each year. However, in FY 2018, the overall General Fund cost will be \$58.6 million due to the elimination of the \$24.0 million appropriation for property tax adjustment aid. At a 4.0% allowable growth rate each year, the estimated General Fund cost will be \$85.9 million in FY 2014, \$91.9 million in FY 2015, \$99.1 million in FY 2016, \$106.2 million in FY 2017, and \$90.5 million in FY 2018.

Beginning in FY 2017, the estimated amount transferred to the Taxpayer Trust Fund from the sales/use tax for school infrastructure will be \$8.7 million.

Estimated Fiscal Impact of HF 2			
(Dollars in Millions)			
	Net General Fund Impact		Taxpayer Trust Fund Change in Revenues
	0.0% Allowable Growth Rate	4.0% Allowable Growth Rate	
FY 2014	\$ -82.6	\$ -85.9	N.A.
FY 2015	-82.6	-91.9	N.A.
FY 2016	-82.6	-99.1	N.A.
FY 2017	-82.6	-106.2	\$ 8.7
FY 2018	-58.6	-90.5	8.7

Sources

Iowa Department of Management, School Aid file
Iowa Department of Education, Certified Enrollment and Preliminary Weighting files
Legislative Services Agency analysis and calculations

/s/ Holly M. Lyons

January 30, 2013

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

Fiscal Note

Fiscal Services Division



HF 110 – Internal Revenue Code Update (LSB 1257HV)

Analyst: Jeff Robinson (Phone: (515) 281-4614) (jeff.robinson@legis.iowa.gov)

Fiscal Note Version – New

Description

House File 110 updates the Code of Iowa to incorporate changes to the federal Internal Revenue Code (IRC) enacted by Congress for the period of January 1, 2012, through January 1, 2013, including the American Taxpayer Relief Act of 2012. The Bill does not couple with certain bonus depreciation provisions.

The Bill also removes an existing sunset that would end the Property Tax Appeals Board ([Iowa Code section 421.1A](#)) on July 1, 2013.

The Bill is effective on enactment and portions are retroactive to January 1, 2012, and to January 1, 2013.

Background

House File 110 couples with only one significant federal tax act, the American Taxpayer Relief Act of 2012, approved by Congress on January 1, 2013. Prior to that Act, federal individual income tax rates, exemptions, and deductions were scheduled to revert to levels in place in the early 2000s. This would have resulted in significant federal tax increases for most taxpayers.

With passage of the Act, the temporary income tax decreases of the 2000s were made permanent for the majority of taxpayers. In general, tax rates, exemptions, and deductions returned to the earlier levels only for single taxpayers with federal adjusted gross income (AGI) of \$400,000 or more and \$450,000 or more for married taxpayers. For those taxpayers, federal income taxes likely increased January 1, 2013. For the remaining taxpayers, federal income taxes likely remained the same.

Since Iowa allows taxpayers to deduct federal income taxes paid from Iowa income prior to calculating taxes owed, federal actions that impact the overall level of federal income taxes paid by Iowans automatically and directly impact Iowa tax revenue.

When the Revenue Estimating Conference (REC) met December 12, 2012, Congress had not yet acted. The REC made the general assumption that federal tax law would remain unchanged, meaning that federal income taxes would in fact increase beginning January 1, 2013.

The fiscal impact of the direct deductibility effects of the federal law changes is not a fiscal impact of HF 110. Those direct deductibility impacts are automatic and occur with or without the passage of HF 110.

Updating the Iowa revenue code to couple with federal changes that were enacted from January 1, 2012, through the passage of the American Taxpayer Relief Act does have a fiscal impact since those changes require an Iowa law change before they become effective. The impact of coupling with federal income tax law changes is referred to as conformity impacts.

Fiscal Impact

Division IV of the Bill repeals the sunset of the Property Tax Appeals Board. The current sunset is effective July 1, 2013. The Board receives General Fund support through the appropriation to the Department of Revenue. The fiscal impact of removing the sunset depends on future appropriations made by the Legislature to the Department of Revenue. In FY 2013, approximately \$865,000 of the Department's General Fund appropriation was allotted to the Board.

The conformity fiscal impact of HF 110 is a projected reduction in net General Fund revenue of the following amounts:

- FY 2013: \$24.8 million
- FY 2014: \$35.5 million
- FY 2015: \$13.2 million
- FY 2016: \$ 8.6 million
- FY 2017: \$ 9.0 million

A significant portion of the revenue reduction associated with conformity is related to a depreciation schedule change targeted to smaller businesses known as "Section 179 expensing." Section 179 expensing involves writing off the depreciation of business assets faster. Since more rapid depreciation in the initial years of an asset's life means there is less depreciation to deduct in future years, the fiscal impact of conformity likely turns positive over time.

Conformity with another form of depreciation acceleration targeted to larger companies, and known as "bonus depreciation," is not part of SF 106.

Related Revenue Issue

Since Iowa allows all taxpayers to deduct federal income tax paid from their State taxable income, when Congress enacts legislation reducing federal taxes owed, most Iowa taxpayers see a corresponding increase in their State income tax bill. The State revenue increase occurs automatically when federal tax reductions are enacted and so it does not take legislative action. The Department of Revenue estimates that this "deductibility effect" of the American Taxpayer Relief Act will increase net General Fund revenue by the following amounts:

- FY 2013: \$41.3 million
- FY 2014: \$97.8 million
- FY 2015: \$59.8 million
- FY 2016: \$43.2 million
- FY 2017: \$46.8 million

Sources

Iowa Department of Revenue

/s/ Holly M. Lyons

February 5, 2013

The fiscal note for this bill was prepared pursuant to General Assembly rules and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
